

METHAQ TAKAFUL INSURANCE COMPANY P.S.C.
UNITED ARAB EMIRATES

REVIEW REPORT AND CONSOLIDATED INTERIM
FINANCIAL INFORMATION FOR THE PERIOD
FROM 1 JANUARY 2020 TO 31 MARCH 2020

METHIAQ TAKAFUL INSURANCE COMPANY P.S.C.
UNITED ARAB EMIRATES

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REPORT ON REVIEW AND INTERIM FINANCIAL INFORMATION

The Shareholders'
Methaq Takaful Insurance Company P.S.C.
United Arab Emirates

Introduction

We have reviewed the accompanying consolidated interim financial statements of **Methaq Takaful Insurance Company P.S.C.**, as at 31 March 2020 which comprise the consolidated interim statement of financial position as at 31 March 2020 and the related consolidated interim statement of profit or loss, related consolidated interim statement of comprehensive income, related consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the period from 1 January 2020 to 31 March 2020 and explanatory notes. Management is responsible for the preparation and presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 consolidated interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of consolidated interim Financial Information Performed by the Independent Auditor of the company." A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

We refer to Note 10 to the consolidated interim financial statements that provides details of the company investment properties amounting to AED 142,360,000 (31 December 2019 : AED 142,360,000), the management has not carried out an impairment review on investment properties to determine whether any impairment right down should be applied in the consolidated interim financial statement at 31 March 2020. In the absence of information to assess the recoverability of these assets, we were unable to satisfy ourselves as to the carrying amount of investment properties.

REPORT ON REVIEW AND INTERIM FINANCIAL INFORMATION (continued)

Based on our review, except for the possible effects of the matter described in the basis for qualified opinion section of our report nothing has come to our attention that causes us to believe that the accompanying interim financial statements present fairly, in all material respects, the interim financial position of **Methaq Takaful Insurance Company P.S.C.** as at 31 March 2020 and its interim cash flows for the three-month period then ended in accordance with IAS 34.

Other matter

The financial statements of the company for the year ended 31 December 2019 were audited by another auditor who expressed a qualified opinion on those statements at 26 March 2020.

Talal Abu Ghazaleh & Co. International


Firas Kilani

Licensed Auditor No. 632

25 June 2020



METHAQ TAKAFUL INSURANCE COMPANY P.S.C.
UNITED ARAB EMIRATES


EXHIBIT A

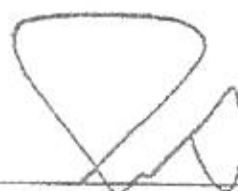
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	NOTE	31 March 2020 (Unaudited)	31 December 2019 (Audited)
ASSETS			
Takaful operating assets			
Retakaful share of unearned contributions		64,155,975	75,814,294
Prepaid expenses and other assets	8	8,093,907	8,566,384
Retakaful share of outstanding claims	7 (e)	119,966,878	105,593,634
Contributions and retakaful balances receivables		284,367,434	270,333,777
Bank term deposits		—	20,000,000
Cash and cash equivalents	4	24,023,676	12,454,876
Total takaful operating assets		500,607,870	492,758,965
Share holders' assets			
Property and equipment	9	1,100,486	1,256,478
Statutory deposit	5	6,000,000	6,000,000
Investments designated at fair value through profit and loss (FVTPL)	6	959,422	921,919
Investments designated at fair value through other comprehensive income (FVOCI)	6	15,000,000	15,000,000
Deferred policy acquisition costs		15,141,270	16,767,865
Investments properties	10	142,360,000	142,360,000
Prepaid expenses and other assets	8	8,016,881	5,472,553
Bank term deposits		2,989,426	2,989,426
Cash and cash equivalents	4	2,172,092	1,817,634
Total shareholder's assets		193,739,577	192,585,875
TOTAL ASSETS		694,347,447	685,344,840


Board Member


Head of Finance


Managing Director



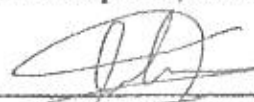
METHAQ TAKAFUL INSURANCE COMPANY P.S.C.
UNITED ARAB EMIRATES

EXHIBIT A

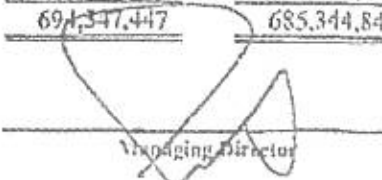
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	NOTE	31 March 2020 (Unaudited)	31 December 2019 (Audited)
LIABILITIES, PARTICIPANTS' AND SHAREHOLDERS' EQUITY			
<u>Takaful operating liabilities</u>			
Takaful payables		54,268,238	48,799,679
Outstanding claims	7 (a)	276,706,457	276,196,776
Retakaful payables		102,638,811	111,070,107
Unearned retakaful commission income		20,498,579	23,410,916
Unearned contributions	7	133,532,499	127,536,143
Total takaful operations liabilities		587,644,584	587,013,621
<u>Share holders' liabilities</u>			
Trade payables		891,093	557,283
Accrued expenses and other liabilities		8,286,013	8,597,578
End of service benefits obligation	13	4,602,578	4,122,164
Other payables		812,571	977,396
Total shareholders' liabilities		14,592,255	14,254,421
<u>Participants' fund</u>			
Deficit of general participants takaful fund	12	(180,060,738)	(186,457,058)
Loan from shareholders	12	180,060,738	186,457,058
Total shareholders' liabilities		---	---
<u>Equity</u>			
Share capital	11	150,000,000	150,000,000
Legal reserve		4,580,554	4,580,554
General reserve		1,700,807	1,700,807
Investment fair value reserve		(17,720,000)	(17,720,000)
Accumulated (losses)		(46,450,753)	(54,484,563)
Net equity - Exhibit C		92,110,608	84,076,798
Total liabilities, participants fund and equity		694,347,447	685,344,840


Board Member


Chief Financial Officer


Managing Director

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THESE CONSOLIDATED INTERIM FINANCIAL STATEMENTS



METHAQ TAKAFUL INSURANCE COMPANY P.S.C.
UNITED ARAB EMIRATES

EXHIBIT B

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 MARCH 2020

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

		Three months ended	
		31 March 2020	31 March 2019
		(Unaudited)	(Unaudited)
Gross contribution written	18 (c)	76,461,065	96,555,777
Retakaful contributions		(28,026,545)	(40,931,124)
Net takaful contributions		48,434,520	55,624,653
Change in net unearned contribution provision		(17,650,675)	(12,788,426)
Net takaful contributions earned		30,783,845	42,836,227
Commissions earned	21 (c)	11,339,062	10,953,454
Gross takaful contributions		42,122,907	53,789,681
Gross claims paid		(59,237,092)	(50,105,688)
Retakaful share of claims paid		24,756,918	16,989,098
Net claims paid		(34,480,174)	(33,116,590)
Change in outstanding claims		10,779,180	559,228
Change in retakaful share of outstanding claims		5,305,602	8,395,423
Change in incurred but not reported claims reserve		(10,819,614)	(7,114,524)
Change in retakaful share of incurred but not reported claims reserve		10,288,759	2,396,261
Change in allocated loss adjustment expense		1,090,842	(991,058)
Net claims incurred		(17,835,405)	(29,871,260)
Takaful income		24,287,502	23,918,421
Other income		----	335,342
Takaful operating profit		24,287,502	24,253,763
Wakala fees		(17,891,177)	(23,181,551)
Surplus of takaful results for the period		6,396,325	1,072,212
Shareholders' investment and other income (net)		64,541	55,510
Wakalah fees from policyholders		17,891,177	23,181,551
Income from real estate		116,703	122,028
Takaful expenses		(7,777,438)	(7,517,506)
Change in fair value of investments at fair value through profit and loss		37,503	27,774
Change in provision of loan to policyholders' fund		6,396,325	1,072,212
Profit expense on Islamic financing		----	(36,429)
General and administrative expenses		(8,695,001)	(11,023,840)
Net profit for the period - Exhibit D		8,033,810	5,881,300
Basic and diluted earnings per share	19	0.054	0.039

*THE ACCOMPANYING NOTES ARE AN
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METHAQ TAKAFUL INSURANCE COMPANY P.S.C.
UNITED ARAB EMIRATES

EXHIBIT B

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE
PERIOD FROM 1 JANUARY 2020 TO 31 MARCH 2020

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	<u>NOTE</u>	<u>Three months ended</u>	
		<u>31 March 2020</u> <u>(Unaudited)</u>	<u>31 March 2019</u> <u>(Unaudited)</u>
(Loss) for the period		8,033,810	5,881,300
Other comprehensive (loss):			
Fair value income on financial assets at FVTOCI	7 (a)	----	(1,772,000)
Other comprehensive income for the period		----	(1,772,000)
Total comprehensive income for the period - Exhibit C		<u>8,033,810</u>	<u>4,109,300</u>

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METHAQ TAKAFUL INSURANCE COMPANY P.S.C.
UNITED ARAB EMIRATES

EXHIBIT C

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FOR THE
PERIOD FROM 1 JANUARY 2020 TO 31 MARCH 2020
(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	<u>Share capital</u>	<u>Legal reserve</u>	<u>General reserve</u>	<u>Investment fair value reserve</u>	<u>Accumulated (losses)</u>	<u>Total</u>
Equity at 1 January 2019 - Exhibit A - (Audited)	150,000,000	4,580,554	1,700,807	(14,176,000)	(58,369,637)	83,735,724
Profit for the period - Exhibit B	----	----	----	----	5,881,300	5,881,300
Other comprehensive (loss) for the period - Exhibit B	----	----	----	(1,772,000)	----	(1,772,000)
Equity at 31 March 2019 - Exhibit A (Unaudited)	<u>150,000,000</u>	<u>4,580,554</u>	<u>1,700,807</u>	<u>(15,948,000)</u>	<u>(52,488,337)</u>	<u>87,845,024</u>
Equity at 31 December 2019 - Exhibit A (Audited)	150,000,000	4,580,554	1,700,807	(17,720,000)	(54,484,563)	84,076,798
Profit for the period - Exhibit B	----	----	----	----	8,033,810	8,033,810
Equity at 31 March 2020 - Exhibit A (Unaudited)	<u>150,000,000</u>	<u>4,580,554</u>	<u>1,700,807</u>	<u>(17,720,000)</u>	<u>(46,450,753)</u>	<u>92,110,608</u>

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METHAQ TAKAFUL INSURANCE COMPANY P.S.C.
UNITED ARAB EMIRATES

EXHIBIT D

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE
PERIOD FROM 1 JANUARY 2020 TO 31 MARCH 2020

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	Three months ended	
	31 March 2020 (Unaudited)	31 March 2019 (Unaudited)
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Profit for the period - Exhibit B	8,033,810	5,881,300
Excess of takaful results for the period	6,396,325	1,072,212
<u>Adjustment to reconcile net income to net cash provided by operating activities</u>		
Depreciation of property and equipment	158,564	180,097
Movement of unearned contributions (net)	17,650,675	12,788,426
Net fair value (Gain) on investment designated at FVTPL	(37,503)	(27,774)
Investment and other income	(64,541)	(390,852)
End of service benefits obligation	572,065	403,066
Recovery for loan policyholders fund	(6,396,325)	(1,072,212)
Profit expense on Islamic financing	----	36,429
Operating (loss) before working capital changes	<u>26,313,070</u>	<u>18,870,692</u>
<u>Changes in the components of working capital:</u>		
(Increase) in prepaid and other assets	(2,071,851)	(3,201,634)
(Increase) in contribution and re-takaful balances receivables	(14,033,657)	(22,371,855)
Decrease / (increase) in differed policy acquisition costs	1,626,595	(274,513)
(Increase) in outstanding claims (net)	(13,863,563)	(3,108,599)
Increase in takaful payables	5,468,559	351,488
(Decrease) / increase in retakaful payables	(8,431,296)	13,327,689
Increase in trade payables	333,810	227,812
(Decrease) / increase in accrued expenses and other liabilities	(476,390)	235,645
(Decrease) / increase in unearned re-takaful commission income	(2,912,337)	1,492,091
<i>Net cash flows (used in) / from operating activities</i>	<u>(8,047,060)</u>	<u>5,548,816</u>
Settlement of end of service benefit obligation	(91,651)	(127,620)
<i>Net cash flows (used in) / from operating activities</i>	<u>(8,138,711)</u>	<u>5,421,196</u>

***THE ACCOMPANYING NOTES ARE AN
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METHAQ TAKAFUL INSURANCE COMPANY P.S.C.**UNITED ARAB EMIRATES****CONT. EXHIBIT D****CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE
PERIOD FROM 1 JANUARY 2020 TO 31 MARCH 2020****(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)**

	Three months ended	
	31 March 2020 (Unaudited)	31 March 2019 (Unaudited)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	(2,572)	(628,920)
Interest on term deposits income	64,541	390,852
Purchase of investment designated at fair value through other comprehensive income FVTOCI	----	----
<i>Net cash flows from / (used in) investing activities</i>	<u>61,969</u>	<u>(238,068)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES :</u>		
Increase in term deposits	20,000,000	----
Profit expense on Islamic financing	----	(36,429)
<i>Net cash flows from / (used in) financing activities</i>	<u>20,000,000</u>	<u>(36,429)</u>
NET CASH FLOWS (USED) DURING THE PERIOD	11,923,258	5,146,699
Cash and cash equivalents at beginning of the period	<u>14,272,510</u>	<u>32,907,974</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD - Note 4	<u>26,195,768</u>	<u>38,054,673</u>

**THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THESE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

METHAQ TAKAFUL INSURANCE COMPANY P.S.C.
UNITED ARAB EMIRATES

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

1. STATUS AND ACTIVITIES

- a) **Methaq Takaful Insurance Company P.S.C.** (the “company”) is a public shareholding company registered with the Department of Economic Development - Abu Dhabi - United Arab Emirates. The Company are incorporated in the Emirate of Abu Dhabi on 24 March 2008 with a trade license number 1142419.
- b) The company’s principal activity are accidents and civil responsibility insurance, fire insurance, land, marine and air transportation dangers insurance, reinsurance, health insurance and onshore and offshore oil and gas fields and facilities services.
- c) The company operates through its head office in Abu Dhabi and branch offices in Dubai. The company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 32774, Abu Dhabi, United Arab Emirates.
- d) The Company’s ordinary shares are listed on Abu Dhabi Securities Exchange.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

- a) In the current period, the company has adopted the new and revised International Financial Reporting Standards (IFRSs) including the International Accounting Standards (IASs) and their interpretations that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2020.
- b) At the date of authorization of these interim financial statements, the following Standards and Interpretations have been issued but not yet effective :

	<u>Effective for annual periods beginning on or after</u>
IFRS 17 - Insurance contracts	1 January 2023
Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture.	Indefinite

METHAQ TAKAFUL INSURANCE COMPANY P.S.C.
UNITED ARAB EMIRATES

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted by the company is consistent with those applied in prior periods except for the new and amended IFRS's effective as of 1 January 2020 as detailed in Note 2 (a) which did not have material impact on the interim financial statements of the company. The significant accounting policies adopted by the company in the preparation of the interim financial statements are as follows:-

a. *Interim Financial Statements Preparation Framework*

The interim financial statements have been prepared in accordance with International Financial Reporting Standards.

b. *Basis of presentation*

As at 31 March 2020, the company accumulated losses amounted to AED 46,450,753 (31 December 2019 : AED 54,484,563) which represents 30.96% (31 December 2019 : 36.32%) of the share capital of the company.

The interim financial statements are prepared in accordance with the historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services, while Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c. *Financial instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are either financial assets or financial liabilities.

METHAQ TAKAFUL INSURANCE COMPANY P.S.C.

UNITED ARAB EMIRATES

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

d. *Financial assets*

Any asset that is: cash, an equity instrument of another entity, or a debt instrument of another entity (a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity, or a contract that will or may be settled in the entity's own equity instruments).

The company does not have debt instruments that qualify for measurement at fair value through other comprehensive income nor at fair value through profit or loss. Moreover the company's financial assets does not have any equity instrument financial assets.

Initial measurement

Financial assets are recognized when the company becomes party to the contractual provisions of the instruments. At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

i) *Cash and cash equivalents*

Cash and cash equivalents includes cash on hand, cash at banks - current accounts, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

ii) *Bank fixed deposits*

Bank fixed deposits are measured at amortized cost using the effective interest method.

iii) *Takaful receivables*

Takaful and other receivables that have fixed or determinable payments that are not quoted in an active market are classified a loans and receivables. Loans and receivables are measured at amortised cost using the effective rate or return method, less any impairment. Return income is recognized by applying the effective rate of return, except for short term receivables when the recognition of return income would be immaterial.

METHAQ TAKAFUL INSURANCE COMPANY P.S.C.
UNITED ARAB EMIRATES

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

Definition

Takaful contracts are those contract when the company (the operator) has accepted takaful rate on behalf of takaful funds from another party (the policyholders) by agreeing to compensate the policyholders if any specified uncertain future event (the insured event) adversely affects the policyholders.

Recognition and measurement

Takaful contracts are classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

These contracts are casually and property takaful contracts.

Casually takaful contracts protect the policyholders against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property takaful contracts mainly compensate the policyholders for damage suffered to their properties or for the value of property lost. Policyholders who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

For all these takaful contracts, contributions are recognized as revenue (earned contributions) proportionally over the period of coverage. The portion of contributions received on in force contracts that relates to unexpired risks at the end of the reporting period date is reported as the unearned contribution liability.

Claim and loss adjustment expenses are charged to the statement of profit or loss (attributable to the policyholders) as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders.

Retakaful contract assets

Retakaful contract assets include a takaful share of outstanding claims (including share of claims incurred but not reported - IBNR) and a takaful share of unearned contribution.

METHAQ TAKAFUL INSURANCE COMPANY P.S.C.
UNITED ARAB EMIRATES

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

Contracts entered into by the company for retakaful under which the company is compensated for losses on one or more contracts issued by the company and that meet the classification requirements of takaful contracts are classified as retakaful contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

Takaful contracts entered into by the company under which the contract holder is involved in takaful activities are included with takaful contracts. The benefits to which the company is entitled under its retakaful contracts held are recognized as retakaful contract assets. The company assesses its retakaful contract assets for impairment on a regular basis. If there is objective evidence that the retakaful contract asset is impaired, the company reduces the carrying amount of the retakaful contract assets to its recoverable amount and derecognizes that impairment loss in the statement of profit or loss. Amounts recoverable from or due to retakaful holders are measured consistently with the amounts associated with the retakaful contracts and in accordance with the terms of each retakaful contract.

Takaful contract liabilities

Takaful contract liabilities include outstanding claims (OSLR), claims incurred but not reported ("IBNR"), unearned contribution reserve (UCR) and provision for allocated, unexpired risk reserve (UPR) and unallocated loss adjustment expenses (ALAE/UAE).

Takaful contract liabilities towards outstanding claims are made for all claims intimated to the company and still unpaid at the statement of financial position date, in addition to claims incurred but not reported.

The unearned contribution reserve considered in the Takaful contract liabilities comprises the estimated proportion of the gross contribution written which relates to the period of Takaful subsequent to the reporting period date. Unearned contributions are calculated on a time proportion basis over the effective period of the policy. The proportion attributable to the subsequent period is deferred as unearned contributions reserve. The company provides unearned contributions reserve based on actual terms of the policy.

The liability relating to IBNR and ALAE/ULAE reserve is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

The takaful portion towards the above outstanding claims, claims incurred but not reported and unearned contributions reserve is classified as retakaful share of outstanding claims and retakaful share of unearned contributions in the financial statements.

METHAQ TAKAFUL INSURANCE COMPANY P.S.C.
UNITED ARAB EMIRATES

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

Salvage and subrogation reimbursements

Emirates of salvage and subrogation reimbursements are considered as an allowance in the measurements of the takaful liability for claims.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of retakaful contract liabilities net to related deferred policy acquisition costs. In performing these tests, current test estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the statement of profit or loss initially by writing off the deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

Receivables and payables related to takaful contracts

Receivables and payables recognised when due. These include amounts due to and from agents, brokers and takaful contract holders.

If there is objective evidence that the takaful receivable is impaired, the company reduces the carrying amount of the takaful receivable accordingly and recognizes that impairment loss in the statement of profit or loss.

iii) *Financial assets at fair value through profit or loss (FVTPL)*

A financial asset is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Directly attributable transaction costs are recognized in profit and loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.

iv) *Financial assets at fair value through other comprehensive income (FVTOCI)*

FVTOCI financial assets may include equity instruments that are not held principally for the purpose of selling in the near future or debt instruments with fixed or determinable payments and fixed maturity dates that the company has no positive intent and ability to hold to maturity.

FVTOCI financial assets are stated at fair value for listed securities and at cost for unlisted securities. Gains and losses arising from changes in fair value are recognized in consolidated interim other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in the consolidated interim statement of comprehensive income.

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The cumulative gain or loss previously recognized in the investments revaluation reserve is included in the consolidated interim statement of comprehensive income upon the disposal of investment. Dividends on FVTOCI equity instruments are recognized in profit or loss when the company's right to receive payments is established.

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. This requires considerable judgement about how the changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. This model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Derecognition

The company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

With the exception of FVTOCI equity instruments, if, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been

In respect of FVTOCI equity securities, any increase in fair value subsequent to an impairment loss is recognized in interim other comprehensive income.

c. *Property and equipment*

Property and equipment held for use in the supply of goods or services, or for administrative purposes, are initially recognized at their cost being their purchase price plus any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

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After initial recognition, the property and equipment are carried in the consolidated statement of financial position, at their cost less any accumulated depreciation and any accumulated impairment. The depreciation charge for each period is recognized in the consolidated statement of profit or loss. Depreciation is calculated on a straight line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed by the company over the estimated useful lives of the assets. The useful lives of the assets are estimated as follows:

<u>Category</u>	<u>Useful life</u>
Furniture, fixtures and office equipment	5 years
Computer equipment and accessories	3 years

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

The carrying values of property and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairment losses are calculated in accordance with Note 3 (I).

On the subsequent derecognition (sale or retirement) of the property and equipment, the resultant gain or loss, being the difference between the net disposal proceeds, if any, and the carrying amount, is included in the consolidated statement of profit or loss.

f. *Impairment of tangible assets*

At each consolidated interim statement of financial position date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset. An impairment loss is recognized immediately in the consolidated interim statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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Where an impairment loss subsequently reverses, the carrying amount of the asset is decreased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately in the consolidated interim statement of profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation decrease.

g. Investment properties

Investment property (land or building) is property: (a) held by the company to earn rentals, (b) for capital appreciation rather than for use in production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business, and/or for undetermined use. Investment property is measured initially at its cost, including transaction costs and revalued annually by independent evaluators.

On the subsequent derecognition (sale or retirement) of the investment properties, the resultant gain or loss, being the difference between the net disposal proceeds, if any, and the carrying amount, is included in the consolidated interim statement of profit or loss.

h. Financial assets designated at fair value through other comprehensive income (FVTOCI) and through profit and loss (FVTPL)

At initial recognition, the company can make an irrevocable election (on an instrument - by - instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investments is held for trading.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, these are measured at fair value with gains and losses arising from changes in fair value recognized in other consolidated interim comprehensive income and accumulated in the investments revaluation reserve.

Financial assets are classified as FVTPL when they are held for trading which means they have been acquired principally for the purpose of selling in the near future. Financial assets of FVTPL are stated at their fair value, subsequent gains and losses arising from changes in fair value are recognized in consolidated interim statement of profit or loss.

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i. *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each year. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

With the exception of financial assets designated at fair value through other comprehensive income (FVTOCI), if, in a subsequent year, the amount of the impairment loss decreases due to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investments at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of financial assets designated at fair value through consolidated interim other comprehensive income (FVTOCI), any increase / decrease will be recognized in profit and loss. Any increase in fair value subsequent to an impairment loss is recognized in other consolidated interim comprehensive income.

j. *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognized when the company becomes a party to the contractual provisions of the financial instrument. The company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, and through the amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

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k. *Legal reserve*

Pursuant to the Company's Articles of Association, 10% of net profit for the year to be withheld annually and retained in the legal reserve account. The deduction shall be suspended when the balance in this reserve account amounts to at least 50% of the company's capital and is not available for distribution for shareholders'.

l. *Genral reserve*

In accordance with the Article 64 of the company article of association 10% of net profit for the year is to be transfer to a genral reserve. No transfer was made during the period / year as the company in accumulated losses position.

m. *End of service benefits obligation*

- Provision for employeces' end-of-service benefits is calculated in accordance with the Federal Labour Laws of United Arab Emirates. The company measures its obligations under employees' benefits as described in IAS 19 using actuarial valuation method unless the differences between actuarial valuation and actual liability and service cost is immaterial.

- Pension funds for UAE nationals has been computed as per rates approved by the concerned government department.

n. *Revenue recognition*

Revenue is measured at the fair valued of the consideration receive do receivable in the normal course of business.

contribution

Contribution from gross and retakafal contracts is measured under revenue recognition criteria stated under takafal contracts in these financial statements.

Dividend income

Dividend income from investments is recognized when the shareholders' rights to received payment have been established.

Rental income

Rental income arising on investment properties sis accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of profit or loss.

Other income

Other income is accrued on a time basis, by reference to the principal outstanding and at the effective rate of return applicable.

Other income / expense retakafal

Retakafal income is recognized when retakafal is entered into and retakafal expenses are recognized when the policies are issued.

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o. Foreign currencies

The consolidated interim financial statements are presented in the UAE Dirhams (AED) which is the company's functional currency. In preparing the financial statements, transactions in currencies other than the company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each consolidated interim statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the consolidated interim statement of financial position date (closing rate). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the year or in previous consolidated interim financial statements shall be recognized in the statement of income in the year in which they arise.

p. Contingent liabilities

Contingent liabilities are possible obligations depending on whether some uncertain future events occur, or they are present obligations but payments are not probable or the amounts cannot be measured reliably.

q. Critical accounting judgments and key sources of estimation uncertainty

While applying the accounting policies as stated in Note 3, management of the Company has made certain judgements, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgements and estimates made by management that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year

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i) *Unearned contribution reserve*

The provision for unearned contribution represents that portion of contribution received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and contribution are charged, and is brought to account as contribution income over the term of the contract in accordance with the pattern of takaful service provided under the contract.

ii) *Fair value of unquoted equity investments*

External valuers were involved for valuation of significant investment properties. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

iii) *Impairment of contributions and retakaful balances receivables*

An estimate of the collectible amount of takaful and other receivables is made when collection of the full amount is no longer probable. This determination of whether the takaful and other receivables are impaired entails the Company in evaluating the credit and liquidity position of the policyholders and the takaful companies, historical recovery rates including detailed investigations carried out and feedback received from the legal department. Impairment of takaful and other receivables as at 31 March 2020 amounted to AED 49,209,208 (31 December 2019: AED 49,209,208).

iv) *The ultimate liability arising from claims made under takaful contracts*

The estimation of ultimate liability arising from the claims made under takaful contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of the reporting period. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on past claims settlement trends for the claims incurred but not reported. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision. Gross provision for IBNR as at 31 March 2020 amounted to AED 276,706,457 (31 December 2019: AED 276,196,776) as detailed in note 7.

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4. CASH AND CASH EQUIVALENTS

a) This item consists of the following:	<u>31 March 2020</u>	<u>31 December 2019</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Cash and bank balances	26,195,768	14,272,510
Term deposits	2,989,426	22,989,426
Cash and bank balances	29,185,194	37,261,936
Term deposits with original maturity of more than three months	<u>(2,989,426)</u>	<u>(22,989,426)</u>
Total - Exhibit A & D	<u>26,195,768</u>	<u>14,272,510</u>
Takaful and operations assets	24,023,676	12,454,876
Shareholders' assets	2,172,092	1,817,634
Total - Note 12 (a)	<u>26,195,768</u>	<u>14,272,510</u>

- b) Term deposits represent deposits held with Islamic financial institutions in the UAE, are denominated in UAE dirhams and carry profit at the prevailing market rates ranging from 2.5% to 2.8% per annum (31 December 2019: 2.5% to 3.4%).

5. STATUTORY DEPOSIT

In accordance with the requirement of Federal Law No. 6 of 2007, concerning Insurance Companies and Agents, the company maintains a bank deposit amounting to AED 6,000,000 as of 31 March 2020 which cannot be utilized without the consent of the UAE Insurance Regulatory Authority.

6. INVESTMENTS IN FINANCIAL ASSETS

a) This item consists of the following:	<u>31 March 2020</u>	<u>31 December 2019</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Unquoted UAE equity securities - Note 6 (b) - Exhibit A	15,000,000	15,000,000
Quoted UAE equity securities - Note 6 (c) - Exhibit A	959,422	921,919
Total	<u>15,959,422</u>	<u>15,921,919</u>

b) *INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)*

- i) Changes in investments designated at fair value through other comprehensive income (FVTOCI) for the period / year are as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Fair value at 1 January	15,000,000	3,544,000
Additions	----	15,000,000
(Decrease) in fair value taken to other comprehensive income - Exhibit B	----	(3,544,000)
Fair value as at 31 March / 31 December - Note 6 (a)	<u>15,000,000</u>	<u>15,000,000</u>

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ii) the geographical distribution for the investments in financial assets is as follows:

	<u>31 March 2020</u> <u>(Unaudited)</u>	<u>31 December 2019</u> <u>(Audited)</u>
Within UAE	<u>15,000,000</u>	<u>15,000,000</u>
Total - Note 6 (b & c)	<u>15,000,000</u>	<u>15,000,000</u>

c) **INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)**

i) Changes in investments designated at fair value through profit or loss (FVTPL) for the period are as follows:

	<u>31 March 2020</u> <u>(Unaudited)</u>	<u>31 December 2019</u> <u>(Audited)</u>
Fair value at the beginning of the year	<u>921,919</u>	<u>1,243,148</u>
Increase/ (decrease) in fair value taken to profit or loss - Note 18	<u>37,503</u>	<u>(321,229)</u>
Fair value as at 31 March / 31 December - Note 6 (a)	<u>959,422</u>	<u>921,919</u>

ii) the geographical distribution for the investments in financial assets is as follows:

	<u>31 March 2020</u> <u>(Unaudited)</u>	<u>31 December 2019</u> <u>(Audited)</u>
Within UAE	<u>959,422</u>	<u>921,919</u>
Total - Note 6 (b & c)	<u>959,422</u>	<u>921,919</u>

7. TAKAFUL CONTRACT LIABILITIES AND RE-TAKAFUL CONTRACT ASSETS

a) This item consists of the following:

	<u>31 March 2020</u> <u>(Unaudited)</u>	<u>31 December 2019</u> <u>(Audited)</u>
Gross outstanding claims		
Outstanding claims	<u>118,824,222</u>	<u>126,151,054</u>
Incurred but not reported reserve	<u>152,434,386</u>	<u>141,614,772</u>
Unallocated loss adjustment expense reserve	<u>5,315,286</u>	<u>6,406,128</u>
Unexpired risk reserve	<u>132,563</u>	<u>2,024,822</u>
Total - Exhibit A	<u>276,706,457</u>	<u>276,196,776</u>
Retakaful share of outstanding claims		
Outstanding claims	<u>44,034,358</u>	<u>38,728,756</u>
Incurred but not reported reserve	<u>75,932,520</u>	<u>65,643,760</u>
Unexpired risk reserve	<u>----</u>	<u>1,221,118</u>
Total - Exhibit A	<u>119,966,878</u>	<u>105,593,634</u>

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Net technical provision		
Outstanding claims	74,789,864	87,422,298
Incurred but not reported reserve	76,501,866	75,971,012
Unallocated loss adjustment expense reserve	5,315,286	6,406,128
Unexpired risk reserve	132,563	803,704
Total - Note 7	<u>156,739,579</u>	<u>170,603,142</u>
8. OTHER RECEIVABLES AND PREPAYMENTS		
a) i) This item consists of the following:	31 March 2020	31 December 2019
	(Unaudited)	(Audited)
Related parties receivables - Note 19	4,226,875	2,744,090
Impairment of other receivables - Note 8 (b)	<u>(7,918,218)</u>	<u>(7,918,218)</u>
Net - related parties receivables	(3,691,343)	(5,174,128)
Advances towards formation of companies	823,388	823,388
Prepaid expenses	6,382,384	1,112,049
Accrued profits from investment deposits	612,321	550,067
Refundable deposits	1,633,799	1,633,799
Advances for investments	3,506,950	3,506,950
Other receivable and advances to suppliers	<u>6,843,289</u>	<u>11,586,812</u>
Net	<u>16,110,788</u>	<u>14,038,937</u>
ii) This item consists of the following:		
Takaful operations assets - Exhibit A	8,093,907	8,566,384
Shareholders' assets - Exhibit A	8,016,881	5,472,553
Total	<u>16,110,788</u>	<u>14,038,937</u>
b) <i>Impairment of other receivables and related parties</i>		
i) This item consists of the following:	31 March 2020	31 December 2019
	(Unaudited)	(Audited)
Impairment of related parties receivables	(7,918,218)	(1,894,090)
Allowance for advances towards formation of companies	----	(822,178)
Allowance for advances for investments and other receivables	----	(5,201,950)
Balance at 31 March / 31 December - Note 8 (a)	<u>(7,918,218)</u>	<u>(7,918,218)</u>
ii) Net movement in impairment of other receivables are:	31 March 2020	31 December 2019
	(Unaudited)	(Audited)
Balance at 1 January	(7,918,218)	(7,918,218)
Balance at 31 March / 31 December - Note 8 (a)	<u>(7,918,218)</u>	<u>(7,918,218)</u>

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9. **PROPERTY AND EQUIPMENT**

The details of cost, accumulated depreciation and respective carrying amounts of various categories of property and equipment are as follows:

<u>COST</u>	<u>Furniture, fixtures and office equipment</u>	<u>Computer equipment and accessories</u>	<u>Total</u>
At 1 January 2020 (Audited)	5,987,206	4,387,107	10,374,313
Additions	2,572	---	2,572
At 31 March 2020 (Unaudited)	<u>5,989,778</u>	<u>4,387,107</u>	<u>10,376,885</u>
<u>ACCUMULATED DEPRECIATION</u>			
At 1 January 2020 (Audited)	(5,277,152)	(3,840,683)	(9,117,835)
Charge for the period	(115,118)	(43,446)	(158,564)
At 31 March 2020 (Unaudited)	<u>(5,392,270)</u>	<u>(3,884,129)</u>	<u>(9,276,399)</u>
<u>NET BOOK VALUE</u>			
At 31 December 2019 - Exhibit A (Audited)	710,054	546,424	1,256,478
At 31 March 2020 - Exhibit A (Unaudited)	<u>597,508</u>	<u>502,978</u>	<u>1,100,486</u>

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10. **INVESTMENT PROPERTIES**

a) This item consists of the following :

	<u>Buildings</u>	<u>Total</u>
	AED	AED
At 1 January 2019 (Audited)	142,360,000	142,360,000
31 March 2020 /		
31 December - Exhibit (Unaudited)	142,360,000	142,360,000

- b) i) A building, located in Abu Dhabi, purchased in 2010 and held for long term rental yields. As at year end, the investment property was registered and held in trust in the name of another party, for and on behalf of the Company and was not yet transferred to the Company. Management is still in the process of formalizing the necessary registration procedures to transfer the title to the Company's name.
- ii) A plot of land in Abu Dhabi that is held in the name of a related party, for and on behalf of the company.
- c) Investment properties are stated at fair value which represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The fair value of the investment properties at 31 December 2020 are determined by independent values using the income and comparable methods. Management believes that fair value has not changed significantly during the year.
- d) The fair value were determined based on capitalization of net income method, where the market rentals of all lettable units of the properties in the neighborhood. The capitalization rate adopted is made by reference to the yield rates observed by the valuer for similar properties in the locality and adjusted based on factor specific to the respective properties. In estimating the fair value of the properties, the highest and best use of the properties in current use.
- e) The investment properties are classified as level 3. There were no transfers between level 1 and 2 or to level 3 during current and previous period/ year.
- f) The rental income for the period / year amounted to AED 116,703 (31 December 2019: AED 812,990) and building expenses 31 March 2020 amounted to AED 76,276 (31 December 2019: AED 94,638).

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11. SHARE CAPITAL

a) This item consists of the following:	<u>31 March 2020</u> (Unaudited)	<u>31 December 2019</u> (Audited)
Authorized, issued and fully paid 150,000,000 shares of AED 1 each	<u>150,000,000</u>	<u>150,000,000</u>

12. LOAN FROM SHAREHOLDERS

a) This item consists of the following:	<u>31 March 2020</u> (Unaudited)	<u>31 December 2019</u> (Audited)
Policyholders' fund		
At 1 January	(186,457,058)	(206,532,287)
Surplus for the period/ year	6,396,320	20,075,229
As at 31 March/ 31 December	<u>(180,060,738)</u>	<u>(186,457,058)</u>
Loan from shareholders to policyholders		
At 1 January	186,457,058	206,532,287
Net movement during the year	(6,396,320)	(20,075,229)
Total	<u>180,060,738</u>	<u>186,457,058</u>
Allowance for loan to policyholders	<u>(180,060,738)</u>	<u>(186,457,058)</u>
As at 31 March/ 31 December	<u>----</u>	<u>----</u>

b) The deficit in the policyholders' fund is financed by the shareholders through a Qard Hassan Loan. The shareholders have funded the deficit in the policyholders' fund in accordance with the company's policy through a Qard Hassan (free of finance charge) of AED 180,060,741 as of 31 March 2020 (31 December 2019: AED 186,457,058) with no repayment terms. During the year, Qard Hassan with a nominal value of AED 6,396,317 (31 December 2019: 20,075,229) was recovered and the recovery of the same amount was recognised to the statement of profit or loss attributable to shareholders.

- Although recoverability of the remaining loan balance is uncertain, management expects to recover it from future profits from takaful operations.

13. END OF SERVICE BENEFITS OBLIGATION

The details of movement in the accounts during the period / year are as follows:

	<u>31 March 2020</u> (Unaudited)	<u>31 December 2019</u> (Audited)
Balance at 1 January	4,122,164	3,088,178
Charge during the period/ year	572,065	1,163,190
Settlements	(91,651)	(129,204)
Balance at 31 March / 31 December - Exhibit A	<u>4,602,578</u>	<u>4,122,164</u>

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14. MUDAREB SHARE AND WAKALAH FEES

- a) The shareholders manage the takaful operations for the policyholders and charge the following range of percentages of gross takaful contributions as Wakalah fees:

	<u>31 March 2020</u>	<u>31 December 2019</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Motor	30%	30%
Medical	15%	15%
All other takaful classes	30%	30%

- b) The shareholders manage the policyholders' investment fund and charge 10% (31 December 2019: 10%) of investment income earned by policyholders' investment fund as Mudareb share. Investment income earned by policyholders' investment fund as well as Mudareb share amounted to AED nil (31 December 2019: nil).

15. BASIC AND DILUTED EARNINGS PER SHARE

- a) Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	Three months ended	
	<u>31 March 2020</u>	<u>31 March 2019</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Profit for the period	8,033,810	5,881,300
Ordinary shares in issue throughout the year	150,000,000	150,000,000
Basic and diluted earnings per share	0.054	0.039

- b) The company has not issued any instruments which would have a dilutive impact on earnings per share when converted or exercised.

16. CONTINGENT LIABILITIES

This item consists of the following:

	<u>31 March 2020</u>	<u>31 December 2019</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Letters of guarantee	6,359,426	6,359,426

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17. SEGMENT INFORMATION

a) Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. All operating segments used by management meet the definition of a reportable segment under IFRS 8.

For operating purposes, the company is organized into two business segments:

Underwriting of general takaful business - incorporating all classes of general takaful , fire, marine, motor, general accident and medical.

Investments - incorporating investments in UAE marketable equity securities, term deposits with banks, overseas managed portfolios and other securities.

Primary segment information - business segment

The following is an analysis of the company's revenue and results by operating segment:

	31 March 2020 (unaudited)			31 March 2019 (unaudited)		
	Policy holders	Shareholders	Total	Policy holders	Shareholders	Total
Net underwriting income	24,287,502	---	24,287,502	23,918,421	---	23,918,421
Investment income	---	---	---	335,342	---	335,342
Wakaf Fees	(17,891,177)	17,891,177	---	(23,181,551)	23,181,551	---
Total	6,396,325	17,891,177	24,287,502	1,072,212	23,181,551	24,253,763
Investment and other income	---	64,541	64,541	---	55,510	55,510
Rental income from investment property (net)	---	116,703	116,703	---	122,028	122,028
Change in fair value of investment properties - Note 6 (c)	---	37,503	37,503	---	27,774	27,774
Decrease in provision for loan to policyholders' fund	---	6,396,325	6,396,325	---	1,072,212	1,072,212
Profit expense on Islamic financing	---	---	---	---	(36,429)	(36,429)
Takaful expenses	---	(7,777,438)	(7,777,438)	---	(7,517,506)	(7,517,506)
General and administrative expenses	---	(8,695,001)	(8,695,001)	---	(11,023,840)	(11,023,840)
Profit for the period	6,396,325	8,033,810	14,430,135	1,072,212	5,881,300	6,953,512

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b) Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the period (2019: AED Nil).
 The accounting policies of the reportable segments are the same as the company's accounting policies used in the annual audited financial statements for the three months period, except for adoption of new and amended standards as mentioned in Note 3.

The following is analysis of the company's assets and liabilities by operating segment:-

	31 March 2020 (unaudited)		31 December 2019 (audited)	
	Policy holders	Shareholders	Policy holders	Shareholders
Total assets	500,607,870	193,739,577	492,758,965	192,585,875
Total liabilities	587,644,584	14,592,255	587,013,621	14,254,421
Capital expenditure	----	2,575	----	702,945
		2,575		702,945

There are no transactions between the business segments.

c) Secondary segment information - revenue from underwriting departments

The following is an analysis of the company's revenue classified by major underwriting departments

	31 March 2020 (unaudited)		
	Motor	Medical	Others
Gross takaful contributions revenue	39,928,733	36,943,063	1,614,091
Retakaful contributions ceded	(24,537,097)	(3,554,028)	(1,156,538)
Net earned contributions	15,391,636	33,389,035	457,553
Retakaful commission income	8,254,665	(1,103)	173,163
Total takaful income	23,646,301	33,387,932	630,716
Gross claims incurred	(36,029,614)	(14,708,797)	(415,464)
Retakaful share if claims incurred	23,286,247	7,749,374	248,017
Net claims incurred	(12,743,367)	(6,959,423)	(167,447)
Policyholders' investment income	----	----	----
Total takaful expenses	(12,743,367)	(6,959,423)	(167,447)
Net takaful income for the period - Exhibit B	10,902,934	26,428,509	463,269
			37,794,712

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	31 March 2019 (unaudited)		
	Motor	Medical	Others
	Total	Total	Total
Gross takaful contributions revenue	68,141,623	8,558,397	834,521
Retakaful contributions ceded	(33,325,751)	(791,018)	(581,545)
Net earned contributions	34,815,872	7,767,379	252,976
Retakaful commission income	10,819,623	126,027	7,804
Total takaful income	45,635,495	7,893,406	260,780
Gross claims incurred	(49,099,903)	(8,009,412)	(542,727)
Retakaful share of claims incurred	25,377,661	1,911,760	491,361
Net claims incurred	(23,722,242)	(6,097,652)	(51,366)
Policyholders' investment income	335,342	---	---
Total takaful expenses	(23,386,900)	(6,097,652)	(51,366)
Net takaful income for the period - Exhibit B	22,248,595	1,795,754	209,414

c) Secondary segment information - revenue from underwriting departments

The following is an analysis of the company's revenue classified by major underwriting departments

	Three months ended	
	31 March 2020	31 March 2019
	(Unaudited)	(Unaudited)
Motor	39,928,733	58,857,383
Medical	34,918,241	36,756,500
Miscellaneous accidents	1,193,455	610,619
Fire	251,677	115,521
Engineering	113,310	67,874
Marine and aviation	55,649	147,880
Total - Exhibit B	76,461,065	96,555,777

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18. RISK MANAGEMENT

The company monitors and manages the financial risks relating to its business and operations. These risks include takaful risk, capital risk, credit risk, interest rate risk, market risk, foreign currency risk and liquidity risk.

The company seeks to minimize the effects of these risks by diversifying the sources of its capital. It maintains timely reports about its risk management function and monitors risks and policies implemented to mitigate risk exposures.

a) *Takaful risk*

The risk under any one takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an takaful contract, this risk is random and therefore unpredictable.

For a portfolio of takaful contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its takaful contracts is that the actual claims and benefit payments exceed the estimated amount of the takaful liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Takaful events are random and the actual number and amount of claims and benefits will vary from period to period from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar takaful contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The company has developed its takaful underwriting strategy to diversify the type of takaful risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The company manages risks through its underwriting strategy, adequate retakaful arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

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b) *Capital risk*

The company's objectives when managing capital are :

- To comply with the insurance capital requirements required by UAE Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of UAE.
- To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To provide an adequate return to shareholders by pricing takaful contracts commensurately with the level of risk.

In UAE, the local insurance regulator specifies the minimum amount and type of capital that must be held by the company in relation to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the period. The company is subject to local insurance solvency regulations with which it has complied with during the period.

The table below summarizes the minimum regulatory capital of the company and the total capital held.

	<u>31 March 2020</u> <u>(Unaudited)</u>	<u>31 December 2019</u> <u>(Audited)</u>
Total shareholders' equity	<u>150,000,000</u>	<u>150,000,000</u>
Minimum regulatory capital	<u>100,000,000</u>	<u>100,000,000</u>

c) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company.

Key areas where the company is exposed to credit risk are :

- Re-takafulers' share of takaful liabilities.
- Amounts due from re-takafulers' in respect of claims already paid.
- Amounts due from takaful contract holders.
- Amounts due from takaful intermediaries (Note 9).
- Amounts due from banks for its balances and fixed deposits (Note 11).

The company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counter party limits that are reviewed and approved by the management annually.

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Re-takaful is used to manage takaful risk. This does not, however, discharge the company's liability as primary insurer. If a re-insurer fails to pay a claim for any reason, the company remains liable for the payment to the policy holder. The creditworthiness of re-insurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The company maintains record of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the company. Management information reported to the company includes details of provisions for impairment on takaful receivables and subsequent write offs. Exposures to individual policy holders and company's of policy holders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policy holders, or homogenous company's of policy holders, a financial analysis equivalent to that conducted for re-insurers is carried out by the company.

The carrying amount of financial assets recorded in the consolidated interim financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk for such receivables and liquid funds.

d) *Interest rate risk*

The company is exposed to interest rate risk resultant from its banking facilities. Management try (to the extent possible) to manage interest rate risk through maintaining an appropriate mix between fixed and floating interest rates balances at the start of the

e) *Market risk*

Market prices risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issue or factors affecting all instruments traded in the market.

The company is exposed to market risk with respect to its investments in financial assets available for sale, investments designated at fair value through profit or loss and investments properties.

f) *Foreign currency risk*

The company undertakes certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the period. The UAE Dirham is effectively pegged to the US Dollar, thus foreign currency risk occurs only in respect of other currencies. The company maintains policies and procedures to manage the exchange rate risk exposure.

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g) *Liquidity risk*

The company's board of directors adopted an appropriate liquidity risk management framework as the responsibility of liquidity risk management rests with them.

The following table shows the maturity dates of company's financial assets and liabilities as at 31 March 2020 (Unaudited).

<i>Financial assets</i>	<u>Less</u> <u>than 1 year</u>	<u>More</u> <u>than 1 year</u>	<u>Total</u>
Cash and cash equivalents	26,195,768	----	26,195,768
Term deposits	2,989,426	----	2,989,426
Statutory deposits	----	6,000,000	6,000,000
Retakaful share of unearned contributions	64,155,975	----	64,155,975
Investments designated at fair value through other comprehensive income (FVTOCI)	15,000,000	----	15,000,000
Investments designated at fair value through profit and loss (FVTPL)	959,422	----	959,422
Contributions and retakaful balances received	284,367,434	----	284,367,434
Deferred acquisition costs	15,141,270	----	15,141,270
Retakaful share of outstanding claims	119,966,878	----	119,966,878
Prepaid expenses and other assets	16,110,788	----	16,110,788
Property and equipment	----	1,100,486	1,100,486
Investment property	----	142,360,000	142,360,000
Total	544,886,961	149,460,486	694,347,447
<i>Financial liabilities</i>			
Takaful payables	54,268,238	----	54,268,238
Outstanding claims	276,706,457	----	276,706,457
Retakaful payables	102,638,811	----	102,638,811
Accrued expenses and other liabilities	8,286,013	----	8,286,013
Trade payables	891,093	----	891,093
Unearned retakaful commission income	20,498,579	----	20,498,579
Unearned contributions	133,532,499	----	133,532,499
Other payable	812,571	----	812,571
End of service benefits obligation	----	4,602,578	4,602,578
Total	597,634,261	4,602,578	602,236,839

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The following table shows the maturity dates of company's financial assets and liabilities as at 31 December 2019 (Audited).

<i>Financial assets</i>	<u>Less</u> than 1 year	<u>More</u> than 1 year	<u>Total</u>
Cash and cash equivalents	14,272,510	----	14,272,510
Term deposits	22,989,426	----	22,989,426
Statutory deposits	----	6,000,000	6,000,000
Retakaful share of unearned contributions	75,810,294	----	75,810,294
Investments designated at fair value through other comprehensive income (FVTOCI)	15,000,000	----	15,000,000
Investments designated at fair value through profit and loss (FVTPL)	921,919	----	921,919
Contributions and retakaful balances received	270,333,777	----	270,333,777
Deferred acquisition costs	16,767,865	----	16,767,865
Retakaful share of outstanding claims	105,593,634	----	105,593,634
Prepaid expenses and other assets	14,038,937	----	14,038,937
Property and equipment	----	1,256,478	1,256,478
Investment property	----	142,360,000	142,360,000
Total	<u>535,728,362</u>	<u>149,616,478</u>	<u>685,344,840</u>
<i>Financial liabilities</i>			
Takaful payables	48,799,679	----	48,799,679
Outstanding claims	276,196,776	----	276,196,776
Retakaful payables	111,070,107	----	111,070,107
Accrued expenses and other liabilities	8,597,578	----	8,597,578
Trade payables	891,093	----	891,093
Unearned retakaful commission income	23,410,916	----	23,410,916
Unearned contributions	127,536,143	----	127,536,143
Other payable	977,396	----	977,396
End of service benefits obligation	----	4,122,164	4,122,164
Total	<u>597,479,688</u>	<u>4,122,164</u>	<u>601,601,852</u>

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19. RELATED PARTIES

This item consists of the following:

	<u>31 March 2020</u> <u>(Unaudited)</u>	<u>31 December 2019</u> <u>(Audited)</u>
Takaful receivables due from related parties - Note 9	----	5,598,550
Total - Exhibit A	----	5,598,550
Impairment of related parties receivables - Note 9	----	(5,196,806)
Total - Exhibit A	----	401,744
Other related parties receivables - Note 10	4,226,875	2,744,090
Total - Exhibit A	4,226,875	2,744,090
Impairment of related parties receivables - Note 9	----	(1,894,090)
Total - Exhibit A	4,226,875	850,000
Claims paid	----	2,425,649
Directors remuneration	----	1,460,557

One of the board members is no more a related party as he is not a board member anymore since June 2019. The receivable pertaining to him amounting to AED 309,093 has been moved to normal takaful receivables.

	<u>Three months ended</u>	
	<u>31 March 2020</u> <u>(Unaudited)</u>	<u>31 March 2019</u> <u>(Unaudited)</u>
Short-term benefits	----	1,380,348
Long-term benefits	----	79,390

The remuneration of key management personnel is based on the remuneration agreed in their employment contracts as approved by the Board of Directors.

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20. SUBSEQUENT EVENT

The existence of Novel Coronavirus (Covid-19) was confirmed in January 2020 in mainland China and has subsequently spread to many other countries around the world. This event has caused widespread disruptions to business, with a consequential negative impact on economic activity. The Company considers this event to be a non-adjusting event after the reporting period and therefore has not made any to the financial statements as a result of this matter. The outcome of this event is unknown and therefore adjustments the impact on the Company cannot be reasonably quantified at the date of issuance of these financial statements. The effect of Covid-19 on the Company will be incorporated into the determination of the Company's technical reserves, impairment of contributions and retakaful balances receivables, valuation of equity portfolio and valuation of investment properties during 2020.

21. GENERAL

The figures in the consolidated interim financial statements are rounded to the nearest Dirham of United Arab Emirates.

22. APPROVAL OF FINANCIAL STATEMENTS

The consolidated interim financial statements were approved by the Board of Directors and authorized for issue. On their board meeting dated 25 June 2020.